

Board of Trustees
Finance and Administration Committee Meeting
Thursday, November 18, 2021

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Shaun Franks	Present
Lyn Hennion	Present	Mimi Pieper	Present
Bill Thorndike	Present	Steve Vincent	Present

Chair Sheila Clough called the meeting to order at 4:00 p.m. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Daniel Santos, Jonathon Bullock, Paul Nicholson, and President Linda Schott.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for University Advancement; Jeanne Stallman, Associate Vice President for Government and Corporate Relations; Sabrina Prud'homme, Board Secretary; Josh Lovern, Director of Budget and Planning; Staci Buchwald, Director of Housing; Noah Hurley, Assistant Director for Conferences and Operations; and Pamela Tomac, Office of the Board Secretary.

Public Comment

No public comments have been received.

Welcome to the fall meeting of the Finance and Administration Committee of the Board of Trustees. Welcome to our newest committee member, trustee and student, Mimi Pieper, and to special guests presenting to the committee today, Staci Buchwald, Director of Housing; and Noah Hurley, Assistant Director for Conferences and Operations. Thanks to trustees and staff for their attendance and preparation for today's meetings.

Consent Agenda

Trustee Vincent motioned to approve the consent agenda as presented. Trustee Hennion seconded the motion, and it passed unanimously.

Vice President's Report

Organizational Updates

Greg Perkinson updated committee on the payroll department turnover, giving thankful recognition to the many folks that stepped in to weather the storm. Having now replaced the vacant roles, technology changes were also adopted to improve efficiency.

Budget Committee Formation and Financial Reserves Policy Update

From the president's task force on financial sustainability emerged the need for a budget committee, which Josh Lovern has now built-out. The first meeting will be held on Dec 10, and the top priority is how to operationalize the reserves policy.

HECC Update

The Higher Education Coordinating Commission's (HECC) Funding and Achievement subcommittee is focused on HECC's strategic roadmap. The outlook is good for the revenue forecast from the state. The Student Success and Completion Model (SSCM) chart provided is a good reminder for trustees and concisely summarizes the three different categories of funding, the data, and then other calculations. Chair Clough remarked that this makes a handy reference item for the future and should be included in new trustee orientation.

Federal Relief Funding

Mr. Perkinson shared the federal relief chart showing dollars that have flowed from the various awards and highlighting the difference between the institutional portion of funding and the direct aid to students. The administration has drawn down federal dollars and the detail of how the proposal to allocate the institutional dollars will be shown later in the pro forma.

Responding to Chair Clough, Mr. Perkinson replied that no additional phases of the CARES act funding have been seen yet, only what is illustrated in the meeting materials.

Action, Information and Discussion Items

Enrollment Update and Revenue Forecast

Dr. Neil Woolf said the national enrollment picture is down, which is more concerning for freshmen, and will impact SOU in the next few years. HECC just released 4th-week data, showing a sharp dive for community colleges, flat enrollment for Oregon Public Universities (OPUs), and the full-time equivalent/student credit hours (FTE/SCH) funding shows precipitous declining enrollment. During the past few years, the Technical Regional Universities (TRUs) have jockeyed for the largest enrollment, but SOU is now the largest TRU by headcount. In looking at high school graduates going to college, Oregon ranks 41st in the nation. Responding to Chair Clough's inquiry on underrepresented students, Dr. Woolf replied that SOU is incentivized to capture these Oregon students. Higher education is still something the more well-to-do have access to, but Dr. Woolf noted that there is still a high proportion of funding available for students. He further responded that students with \$0 expected family contribution are the neediest and receive the highest amounts of the federal funding distributions.

Dr. Woolf also discussed graduate enrollment, decreases in the enrollment of students continuing from fall 2020 to 2021, returning students who got recruited back, and non-admitted student enrollment including the effects of the fires on Advanced Southern Credit (ASC). He also discussed the return to normal of international student numbers, the loss of California students from that state's university investments, and that by race/ethnicity, these students, nationally, have been impacted [during the pandemic] at higher rates. Responding to Chair Clough, Dr. Woolf said the actions the administration takes to help with barriers for these students is always financial leveraging, applying it to a more diverse student range, and then applying those leveraged college scholarship awards. Additionally, more support services have been provided as well. Overall though, mixed message is headcount is up by 0.8 percent, but with some students only taking one or two classes, it affects FTE and SCH most.

The fall funnel for 2022 shows some nice early returns and has expanded the capacity with demand builder, increasing the prospective pool and seeing good numbers in admissions.

Budget Forecast and Review of Pro Forma

Connecting this item to enrollment, Josh Lovern showed the sharp decline of SCH in the last few years, and Mr. Perkinson reminded the trustees that since SCH generates revenue, this shows the impact on revenue.

Chair Clough informed the trustees that because there was no meeting in October and the team saw what was happening with enrollment, President Schott engaged Vice Chair Bullock, Board Chair Santos, and Trustee Clough into a conversation to assure these board leaders that the administration is working diligently and proactively and to ask for thoughts on what SOU might like to see as a board. Vice Chair Bullock acknowledged looking at university infrastructure to ensure the appropriate management of infrastructure for the students that are being served.

Board Chair Santos and Trustee Clough met in a separate session to talk about some available levers, but likely not a single lever to fix and put the university on the right track. The institution was encouraged to think about the various revenue and expense levers that could be pulled. The fund balance is important to the board. Knowing that federal funds are available, a decision was made to save as much of that as possible for a rainy day, as it is not uncommon for an organization to see some financial headwinds. The university is not in a panic stage and will not make changes that harm strategic directions nor make short-term decisions. Board Chair Santos added the takeaway was that the budget needs to be right-sized, and not be overly optimistic or pessimistic, but realistically look at and discuss the available opportunities.

Mr. Perkinson went over the assumptions, saying the revenue projections are softer than those shown in June. The building fee debt service—which is the \$1M that was borrowed from that fund to ride through liquidity challenges a few years ago—will be exhausted in 2032. The health of that fund will continue to be monitored, but may need to be modulated later. The other highlighted area is of labor expenses; assumptions are that vacant positions are backfilled, but one lever is to delay filling positions. Miscellaneous revenue was increased due to the ballooning of student loans debt liability, as the administration chose not to charge interest or late fees to provide grace for students, and now this liability will be about twice the normal amount. It is an unintended consequence of the pandemic and may need to be a future write-off. The last item is the reduction of housing ground lease income since occupancy went down to about 25 percent and the normal revenue of \$600-800K was not realized.

Mr. Lovern explained the assumptions for the coming biennium, with an update for SSCM now configured into the model. The tuition increase is an assumption—not a decision made—of 4.99 percent for each of the next three years. Labor expenses show an increase of 3 percent, with actual rates to be determined by contract negotiation outcomes. When seeking state funding, the state requests a mandatory upgrade to the supplies and services (S&S) budget to achieve the continuing service level (CSL); the state came back at 5.4 percent, with a return to 2.25 percent for the future years. This increase is due to supply chain issues resulting from the pandemic. Public Employee Retirement System shows an increase of 3.4 percent and for Public Employees Benefits Board it's 3.2 percent for CSL.

Responding to Trustee Vincent, Mr. Lovern replied that a CSL working group headed by the Oregon Council of Presidents recommended a 5.4 percent increase to S&S. Mr. Perkinson added that from a process perspective, this data will inform the combined funding request to the HECC that becomes the agency requested budget, which is a lengthy process. President Schott reviewed the financial guidelines by which the administration is operating in the

Short Term. These are: 1) Allocate federal relief funding to provide the new President time to analyze, plan, and implement; 2) Continue to leverage investments aimed at the strategic increase of enrollment; 3) Identify and balance the expense and revenue levers, then develop a plan. The long term goal would be to construct a budget true to the expected student population without losing talent.

Mr. Perkinson said the first pro forma is shown with no aid, to show a realistic view of the financial condition. Back in June, the administration expected to close the FY at \$8.8M but closed at \$7.8M, due to compensated absences of less vacation usage that resulted in a higher liability. Another highlight is what was added to the bottom which is days of operations to make visible that if the university does nothing, there is only half of a month of run time, which is clearly not wanted. Next, the same picture is shown with the addition of \$3.3M in federal aid and the notion of creating decision space for the new president by splitting the \$9.9M of federal aid into three years. The \$1M represents the expected savings that can be driven by pulling some levers, bringing the KPI up to almost 12 percent, which provides about 1.5 months of run time.

Mr. Perkinson reviewed the cost levers to help create “runway,” or decision space, which could include a continuation of the austerity measures from January of 2020. There is pain in not backfilling positions but can be managed at the VP level. Responding to Trustee Vincent, Mr. Perkinson replied that voluntary furloughs, for example, would let managers exercise reductions from full time down to 80-90 percent with an amendment to the HR contract. Chair Clough said it is fair to say that as the team is looking toward these savings, to monitor with an equity lens, any unintended consequences that could possibly harm SOU’s underserved students, which Mr. Perkinson agreed with and said it’s part of the research and conversations.

Responding to Trustee Vincent who was impressed with incoming President Bailey’s purchase power agreements and asked how SOU could utilize its land, Mr. Perkinson said that the lens is wide open, pointing to the example of possibilities at the Cascades site. Mr. Perkinson encouraged thinking of revenue as a three-legged stool of state and federal funding; tuition and fees; and gifts, grants, and partnerships. He also said the administration believes opportunities should be more aggressively pursued in the future for additional sources of revenue.

The committee concluded the pro forma discussion noting that the university is recovering from the pandemic, and the path forward is continued austerity. Transparency with the campus is critically important.

Facilities and Capital Projects Updates

The first highlight is Britt Hall and looking forward to a tour when Phase 1 is complete. Planning is underway for the Cascades building demolition, SOU received the Architecture & Engineering proposal for Central Hall and planning is underway for ‘swing space’, with some cost escalations that will bring the approved \$6M project to over \$10M. Regarding the Master Plan, Phase 1 of updating existing conditions is complete and Phase 2 is in the planning/acquisition phase. Additionally, Mr. Perkinson is pleased with the recent work of the Native American Studies (NAS) student sustainability proposal of a Learning Garden adjacent to the Science building. This also includes the development of a cultural center that supports Native American programs.

University Properties Task Force Update

VP Perkinson updated the committee on the current status of the work the task force started last

spring. The two principal objectives of the work were to generate funds and help address the affordable housing shortage. Staci Buchwald and Noah Hurley are working with a realtor and focusing first on the Henry Street properties and the open space on Roca Street. Community conversations are taking place with the Oregon Shakespeare Festival regarding possible partnering, as well as the city's Housing and Human Services committee to provide updates as well as commitments to staying engaged as the work continues. Responding to President Schott, Mr. Hurley said that the timeline will be a few months away as the realtor is still working on getting comparisons, and about a month away from listing property.

Responding to Trustee Vincent, Mr. Perkinson replied that the neighbors are aware of the work, with some favorable and some less-favorable comments. President Schott added that SOU has been transparent with the process, and the webinar on the matter available for anyone to watch. She said there were a lot of sentiments of, "oh thank goodness something is being done with those ugly houses," and no one came marching up with pitchforks.

Trustee Thorndike said he hoped that SOU could consider a satellite facility for the Rogue Valley Manor in the Cascades area. If building a Community Residential Care (CRC) from scratch, then it must be with advanced care components, but a satellite center would not need the medical sides of the equation. This could have the potential of the tremendous value of the land acting with a long-term lease agreement with Pacific Retirement Services (PRS) that would generate a new revenue stream. Much discussion ensued among trustees about this and related ideas. President Schott added that with the continuously rising cost of housing in Ashland, SOU employees will not be able to afford to live in this community and this changes the nature of this university and its relationship with the region.

Proposed 2022-2023 Committee Meeting Schedule (Action)

Last year, the committee approved the 2022 schedule, and today is being asked to approve the 2023 schedule so the board can maintain a projected 2-year calendar. Trustee Vincent moved to approve the committee meeting schedule as presented, adding that the schedule can always be adjusted later. Trustee Hennion seconded the motion, and it passed unanimously.

Future Meetings

The next meeting of the committee is scheduled to take place on January 20, 2022.

If any trustees have any suggestions for items to have on the agenda, please send those to the board secretary or Chair Clough.

Adjournment

The meeting adjourned at 5:38 p.m.

Date: January 20, 2022

Respectively submitted by,



Sabrina Prud'homme
University Board Secretary